

Submission

to the

New Zealand Police
Financial Intelligence Unit

on the

Proposed goAML schema

22 April 2016

Submission by the New Zealand Bankers' Association to the New Zealand Police Financial Intelligence Unit on the Proposed goAML schema

About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.
2. The following fifteen registered banks in New Zealand are members of NZBA:
 - ANZ Bank New Zealand Limited
 - ASB Bank Limited
 - Bank of China (NZ) Limited
 - Bank of New Zealand
 - Bank of Tokyo-Mitsubishi, UFJ
 - Citibank, N.A.
 - The Co-operative Bank Limited
 - Heartland Bank Limited
 - The Hongkong and Shanghai Banking Corporation Limited
 - JPMorgan Chase Bank, N.A.
 - Kiwibank Limited
 - Rabobank New Zealand Limited
 - SBS Bank
 - TSB Bank Limited
 - Westpac New Zealand Limited.

Background

3. NZBA welcomes the opportunity to provide feedback to the New Zealand Police Financial Intelligence Unit (**FIU**) on its draft document 'Proposed Specifications for all XML reporting to FIU including IFT and LCT reports' released on 4 April 2016, and acknowledges the industry consultation undertaken on this matter.
4. If you would like to discuss any aspect of the submission further, please contact:

Antony Buick-Constable
Policy Director & Legal Counsel
04 802 3351 / 021 255 4043
antony.buick-constable@nzba.org.nz

Executive Summary

5. NZBA and its members support the purpose of the Anti-Money Laundering and Countering Financing of Terrorism (**AML/CFT**) legislation and the requirement to standardise the electronic form schema for reporting Prescribed Transaction Reports.

NZBA and its members recognise the risks organised crime poses for New Zealand and the need for New Zealand banks to be aligned with international standards in order to maintain their reputation as responsible members of the international community.

6. NZBA and its members have only recently established project teams to address the changes to the AML/CFT legislation relating to Prescribed Transaction Reporting (PTR) and have not had sufficient time to review the proposed schema in detail. Given this, NZBA and its members would like to request inclusion in the proposed second round of consultation to allow more time to review the proposed schema in detail.
7. NZBA and its members acknowledge that this is a material new regulatory reporting obligation and the daily volume of reportable transactions is expected to very large. Consequently, speed and accuracy in submission is essential, with a high degree of automation desirable in reporting systems implemented by NZBA members. There will be a high degree of complexity in the design and build of an automated reporting system. NZBA and its members request the FIU takes this into consideration when finalising the mandatory information required in the PTR schema.
8. NZBA's high level observations are outlined below.

Submissions

9. NZBA and its members request that the FIU provide further clarity on what the mandatory schema requirements are. It is clear that those fields marked in yellow are not mandatory for PTR IFTI or PCTR. However, it is less clear for fields that are marked 'N' in the column labelled 'Req.' but which are also not shaded yellow. NZBA and its members would like further clarity on when they may assume these fields can also be excluded for PTR.
10. NZBA members and other reporting entities should not be required to capture any more than what is required under legislation/regulation. Without seeing the draft regulations NZBA and its members cannot comment on whether the schema requests more information than required by the regulations, but NZBA and its members submit that what is required under the schema should be aligned with AML/CFT legislation, and any prescribed regulations.
11. For international wire transfers the schema requirements should align to the identity requirements under sections 27 and 28 as per section 22(3) of the AML/CFT Act. NZBA and its members consider that the reporting requirements in respect of international wire transfers should align with the types of message and message format used by the SWIFT system to assist with the extraction of data for reporting purposes. This would make reporting obligations more efficient and reduce the cost of making system changes. The amount of information requested in the current schema would require aggregating data from multiple systems which would be extremely onerous for NZBA members, and may not be readily sourced or automated (please see paragraph 12 below).
12. PTR requirements are administrative in nature and do not involve an element of investigation. Fields requiring a description of the transaction that is not already

captured in an automated source system will not be able to be reported automatically.

13. All schema requirements should align to section 49 in subpart 3 (Record Keeping), which outlines obligations around keeping transaction records, and section 48B of the AML/CFT Amendment Act 2015, which relates to the prescribed transaction reports.
14. As any future changes the FIU makes to the goAML Enterprise Edition will require changes in the reporting entities' automated systems, or the build of a totally new automated reporting solution, NZBA and its members propose that all such amendments be made on an agreed release schedule (e.g. once per year), with an agreed period of advanced notice of the changes. This will allow reporting entities time to source the budget and resources to make those changes on a timely basis.